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ABSTRACT

Student grant assistance in New York State and federal-state interaction are considered. The evolution and growth of New York's student grant programs is traced. The state's response, or lack of it, to the federal Basic Grants program is addressed, and ways that other states might coordinate their own assistance programs with Basic Grants are suggested. The current and future role of state and federal grant assistance in promoting educational opportunities in New York is considered. New York's Tuition Assistance Program (TAP) and Regents' awards are available to New York residents attending postsecondary institutions within the state on a full-time basis. TAP is available to both undergraduate and graduate students, while Regents' awards are for undergraduates only. The size of a student's TAP is a function of family income; Regents awards are flat $250 scholarships based solely on merit. More than half the New York undergraduates now receiving a TAP award are also eligible for Basic Grants. Eligibility determination and the information required on the TAP application form is different from that of the Basic Grant program. The formula for determining the size of a student's TAP award essentially disregards a student's Basic Grant. At this time, New York appears to have little intention of changing its present policy of minimal coordination between TAP and Basic Grant awards. Based on the experience of other states, several alternatives for award coordination are considered. (SW)

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Student Grant Assistance in New York State

A Case Study of Federal-State Interaction

Arthur Hauptman
with
Lois D. Rice

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Arthur Hauptman
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College Entrance Examination Board, New York, 1980

The College Board is a nonprofit membership organization that provides tests and other educational services for students, schools, and colleges. The membership is composed of more than 2,500 colleges, schools, school systems, and education associations. Representatives of the members serve on the Board of Trustees and advisory councils and committees that consider the programs of the College Board and participate in the determination of its policies and activities.

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The Washington Office of the College Board conducts research on policy issues in education, with an emphasis on postsecondary finance and the evaluation of programs designed to broaden access and choice in higher education. Analyses are shared with the membership of the College Board, state and federal policy makers and other researchers.

This study of student grant assistance in New York State is part of an ongoing project examining the interaction of federal and state student aid policies. The Washington Office gratefully acknowledges financial support from the Ford Foundation and Sloan Commission on Government and Higher Education that has helped make this project possible.

Arthur Hauptman, initial director of the federal-state project, prepared this report with the assistance of Lois D. Rice. Peter Keitel and Eileen Dickinson of the New York Higher Education Assistance Corporation generously supplied background data and reviewed the draft. Chester E. Finn, Jr., formerly of The Brookings Institution and now on the staff of Senator Daniel Patrick Moynihan (D. - N.Y.), and Lawrence E. Gladieux also provided many helpful comments. Julia M. Gordon patiently typed and retyped the drafts.

This study should be of interest and assistance to policy makers at the federal level, in New York, and also to those in other states concerned with coordination of student aid programs. Alternatives for coordinating federal and state grant assistance--a major theme of this report--will be an issue of increasing concern whether student aid expenditures at both levels of government continue to rise in response to mounting college costs or looming fiscal constraints force cutbacks in student assistance.

The work presented herein does not reflect a policy or position of the College Board, nor any endorsement by the Ford Foundation or Sloan Commission.

Introduction and Summary

New York State has a long and commendable record of initiating and supporting social programs that eventually become models for the nation. This paper concerns one of many such achievements--the state's efforts that began more than a half century ago to aid its college students with scholarships and grants.

The paper has three parts. Part I discusses the evolution and growth of New York's student grant programs which now provide the state's 9 percent share of college enrollment with nearly one-third of all grants available through states. Part II addresses the state's response, or lack of it, to the federal Basic Grants program which now spends close to $200 million in New York alone. This section also draws on the New York experience to suggest ways that other states might coordinate their own assistance programs with Basic Grants. Part III discusses the current and future role of state and federal grant assistance in promoting educational opportunities in New York.

Student assistance in New York began in 1913 when the state decided to honor its ablest high school graduates with Regents' Scholarships. New York was also among the first states to introduce need-based grants, first by scaling, in the early 50s, its Regents' awards to reflect a student's economic circumstances, and next, in 1961, by establishing the need-based Scholar Incentive program. Finally, in 1974, the state expanded and transformed Scholar Incentive into the Tuition Assistance Program (TAP).

Now TAP and Regents' awards are available to New York residents attending postsecondary institutions within the state on a full-time basis. TAP is available to both undergraduate and graduate students, while Regents' awards are for undergraduates only. TAP provides up to full tuition for public sector students and a maximum of $1,800 to cover a portion of tuition costs at higher-priced private institutions. The size of a student's TAP is a function of family income--students from lowest income families receive the largest awards--but any TAP applicant with adjusted family income of $20,000 or less is assured of at least $200. Regents' awards are flat $250 scholarships and now, as originally, based solely on merit.

In combination, these two programs--TAP and Regents--demonstrate New York's continuing commitment to equalizing higher educational opportunities for its residents and to rewarding student achievement. Moreover, the programs

underscore the state's desire to maintain the viability of its postsecondary educational institutions--public and private, two- and four-year colleges and universities.

The state reinforces these goals with a fiscal commitment to the grant programs unmatched by any other state. In the academic year 1978-79, the state distributed $250 million in TAP awards to 350,000 students. The $20 million spent for 66,000 Regents' scholarships in that year was by far the largest state program based on merit. New York also places at the top of all states in grant expenditures on a per capita basis--$254 per student and $383 per undergraduate FTE (full-time enrollment) student--nearly twice the expenditure of the second ranking state.

While TAP was tripling in size between 1974-75 and 1978-79, the federal Basic Grant (BEOG) program evolved from a fledgling effort to a program spending a billion and a half dollars. More than half the New York undergraduates now receiving a TAP award are also eligible for Basic Grants. But few, if any, of these joint recipients find their TAP award altered in any way as a result of their receipt of a BEOG.

Unlike New York, most states do coordinate in varying degrees their own grant programs and administrative procedures with federal Basic Grants. Coordination between state programs and Basic Grants can take several forms. Some states alter their own eligibility rules to conform with federal standards. Others choose to permit students to apply for both federal and state programs through the use of a single form. Still others explicitly take into account the expected size of a student's Basic Grant, and reduce the state award accordingly.

New York subscribes to none of these attempts at coordination. Instead, the state marches to its own drummer. The TAP rules for eligibility (for example, the inclusion of graduate students, the exclusion of part-time students, and the decision on who qualifies as an emancipated student) are all at variance with Basic Grants. New York develops and processes its own application form. The information required on the TAP application form is sufficiently different from the Basic Grant and other approved forms to preclude the possibility of New York residents using a single form to apply for TAP and Basic Grants. Moreover, the state's application form and system for determining a student's eligibility are far simpler than federal procedures.

Most important, the formula for determining the size of a student's TAP award essentially disregards a student's Basic Grant. The only restriction that New York places on the size of a student's combined TAP/BEOG award is that the two awards, in combination, not exceed the costs of attendance--a situation that rarely occurs.

Two public policy questions emerge from this absence of any direct coordination between TAP and Basic Grants. First, students may receive a combination of grant assistance that meets what many would consider too high a percentage of costs. For example, an impoverished student at a New York public institution may receive a combination of TAP and Basic Grants which adds up to 70-80 percent of the costs of attendance. Some regard this as "overawarding," or too high a percentage of costs met through entitlement grant assistance. Others fear that such a high proportion of grant aid induces enrollment in the public sector--a situation that has not occurred in New York. In fact, since TAP and Basic Grants have matured, the private sector share of enrollment has increased. Still others argue that only with this high proportion of grant aid can the neediest of students hope to enroll in the state's lowest priced institutions.

Second, the lack of coordination adversely affects students from families of moderate means. When award procedures are not coordinated, a family's contribution is counted twice and the student's award is reduced in each program. This double reduction of awards unfairly penalizes students who have some, though admittedly a different, family contribution under each program. In New York, students from families with $15,000 income can receive $1,000 less in their combined TAP and Basic Grant than the student with $10,000 family income. This reduction in combined awards is far greater than the reduction called for under either program alone.

At this time, New York appears to have little intention of changing its present policy of minimal coordination between TAP and Basic Grant awards. The reasons lie in the state's strong historical tradition of setting its own goals, policies, and procedures for student assistance, and in the difficulty inherent in changing TAP to conform to procedures of the federal program. Instead, New York administrators often argue that TAP is a simpler, more equitable program and one that the federal government should emulate.

But should New York decide to change its policies--possibly for fiscal

reasons since coordination generally saves money for states--there are several alternatives for award coordination that the state might wish to consider. The paper suggests several of these drawing from the experience of other states and showing their likely consequences for New York students and institutions.

Many states coordinate with Basic Grants by basing their award formula on the remaining need of the student. Under such a formula, the student's costs are compared with available resources--family contribution and Basic Grants--and the state award fills a portion of the remaining need. The present TAP award calculation, which is tied to tuition costs only, does not allow for such a straightforward coordination with Basic Grants.

Several states, including Massachusetts, provide flat awards to their students that do not vary with family income, so the combined state award/Basic Grant is reduced only once in recognition of family income.

An ad hoc exercise in coordination--involving no change in TAP procedures or the award calculation--would be to limit the percentage of costs that could be met through a combination of TAP and BEOG. New York could, for example, establish a policy that the TAP/BEOG could not exceed, let's say, 60 percent of costs, with the remaining need to be met through other assistance or family resources. Such a ceiling, however, would reduce awards below current levels, particularly for low-income students--an outcome clearly inconsistent with the state's tradition of fostering postsecondary educational opportunities for its neediest residents.

New York's Tradition in Student Assistance

In 1913, New York introduced its prestigious Regents Scholarship program to identify and honor its ablest high school seniors and to support them in college. Thus began the state's long tradition in student aid, one marked by movement from merit awards for students to awards based primarily on financial need. New York's experience foreshadowed a later national shift from student assistance programs that help to meet manpower needs to those that seek to enhance equal opportunity for higher education. In 1950, New York introduced an income test for its Regents awards, a change undoubtedly designed to recognize the increasing diversity of the state's student population, including those students who would be enrolling in the new state university system.

The state took another step toward need-based grants in 1961 when it began the noncompetitive Scholar Incentive plan as a complement to the competitive Regents program. Under both programs, students from the lowest income families received maximum awards--$300 in Scholar Incentive and $1,000 in the Regents program--and awards decreased as family income rose. Under the Regents program a minimum grant of $250 went to families with net taxable incomes of $9,300 or more, while at the outset all Scholar Incentive applicants could receive a $100 minimum award, regardless of family income. Scholar Incentive became still more need related in 1970, when students from families with net taxable incomes above $20,000 (approximately $25,000 gross income for a family of four) could no longer receive the $100 minimum award.

Both Scholar Incentive and Regents awards were tuition related and only available to state residents enrolling full time in New York's public and private colleges and universities. There was no portability of grants to out-of-state institutions. Graduate students could qualify only for Scholar Incentive awards while undergraduates might receive both. The combined Scholar Incentive/Regents payment, however, could not exceed tuition. In addition, the Scholar Incentive maximum was tuition minus $200 to insure that some self-help would be forthcoming from recipients. Students enrolled in New York City's public colleges and universities were generally ineligible for either type of award because these institutions charged no tuition until the 1976-77 academic year.

The formula for establishing the number of new Regents Scholarships awarded each year is set in legislation. During the 1960s the legislature increased the program's authorization in recognition of the growing college age population. By 1970, the total number of Regents awards had risen to almost 70,000 with expenditures of over $25 million, approximately double the size of a decade earlier. In the early 1970s the legislative ceiling remained relatively constant, and the share of Regents winners in the private sector fell from 50 percent in 1969-70 to 40 percent in 1972-73, reflecting continuing overall enrollment shifts during those years.

Unlike the Regents program, Scholar Incentive was a firm entitlement with no predetermined legislative limitation on the number of awards. Instead, all eligible applicants received the award amount to which they were entitled under law.

By 1969-70, when Scholar Incentive was less than a decade old, the program was aiding 220,000 students at a cost of $36 million. By 1972-73, program expenditures rose by one-third to $48 million, reflecting an increase in the maximum award to $600, but the number of recipients barely increased despite continuing enrollment growth in the state. Elimination from eligibility for the minimum $100 award of students with family income above $20,000 explains the leveling in the number of awards during this time.

Throughout the 1960s and into the early 1970s, the growth in student grants both reflected and affected state enrollment trends. Full-time equivalent enrollment in the state university system quadrupled, the City University of New York (CUNY) doubled in size, and the private sector grew by half. This difference in growth rates obviously led to shifts in enrollment shares. The private sector fell from over 50 percent in 1964 to less than 40 percent in 1974.

In 1973, the Keppel Commission, an independent group named for its chairman, Francis Keppel, former United States Commissioner of Education, issued a report that stressed the inadequacy of the $600 Scholar Incentive maximum award for current college costs. Of equal concern was the rough parity in the size of awards to students in the public and private sectors, notwithstanding the large differences in tuition charges. In 1972-73 the average Scholar Incentive award in the public sector was $206 while in the private sector it was only $243. Many observers believed that the Scholar Incentive program,

with its scant recognition of tuition differentials, was having the effect of inducing enrollments in the heavily subsidized public sector and shifting enrollments from the private sector.

To address these two concerns, the Keppel group recommended a substantial increase in the maximum award sufficient to meet total tuition costs in the public sector and a larger proportion of these costs in the private sector. The commission thought that such a change would improve access and foster a more competitive balance between the two sectors.

The Keppel report laid the foundation for the authorization of the Tuition Assistance Program (TAP) in May 1974, representing still another step in New York's move over a quarter century toward need-based student assistance.[1] Beginning in 1974-75, the TAP maximum award increased to $1,500 (from $600 under Scholar Incentive) for each new class of undergraduates. Also, lower division undergraduates became eligible to receive the maximum award, since TAP eliminated $200 self-help provisions in the Scholar Incentive program. With the prevailing tuition levels, eligible students at most private institutions could qualify for the $1,500 maximum. Students in the public sector received far smaller awards, since the highest public tuition at that time was approximately $800.

The following graph shows how the award formula in TAP differed from the Scholar Incentive program in public and private institutions. Awards were increased in both sectors, but students in private colleges and universities received the biggest hike. The typical public sector award rose by $200-$300; the increase for private sector awards ranged from $500 to $1,000. As the graph also indicates, TAP introduced a gradual progressive schedule of reduction from the maximum award as family income increased in contrast to the stepped formula used for Scholar Incentive. The legislation that authorized TAP also eliminated any income test for Regents awards and at the same time reduced the size of each award to a flat $250. Furthermore, most students could no longer qualify for both a TAP and a Regents award. Finally,

1. The Keppel group thus joined a number of specially appointed New York commissions that over the past few decades had issued reports resulting soon thereafter in major changes and new programs. For example, the deliberate expansion of the state university system in the 1960s and the creation of the Scholar Incentive program were both the result of the Heald Committee report in 1960, and direct payments to private institutions followed a recommendation of the Bundy Committee's report in 1967.

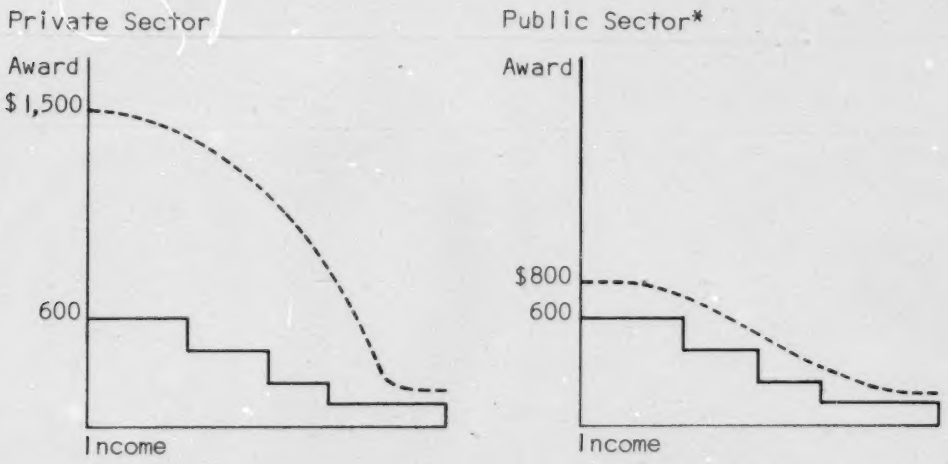
the legislation created a new state agency, the Higher Education Services Corporation (HESC), to administer TAP, Regents awards, guaranteed loans, and a dozen more specialized state aid programs ranging from Cornell University scholarships to nurses' loans. Before 1974, the State Education Department had been in charge of student assistance, with the exception of the Guaranteed Student Loan Program operated by the New York Higher Education Assistance Corporation.

The State Education Department in New York--the operating arm for the Board of Regents--is a highly visible and influential agency responsible for all facets of education in the state as well as related functions such as licensing for professional groups. The transfer of responsibility for student aid programs reflected the belief that student assistance had become so large, so complex, and so different from other education functions that it merited a separate administrative agency. The shift also indicated some general dissatisfaction in the legislature and the Governor's office with the Education Department's handling of Scholar Incentive.

TAP retains many features of Scholar Incentive. Like its predecessor, TAP is an entitlement. Awards are not portable to out-of-state institutions. Award levels are determined from information reported on the New York State

Graph 1

--------- TAP
_____ Scholar Incentive



*Assuming $800 in tuition.

income tax form. Students with gross family income of around $7,500 or less (net taxable income of $2,000[2]) receive the maximum award while others find their awards reduced. Applicants from families with net taxable incomes of less than $20,000 continued to be guaranteed a minimum award, regardless of their expected family contribution. And graduate students remain eligible for TAP, although they receive a maximum of only $600 in keeping with the old Scholar Incentive schedule.

While the Keppel influence is obvious, the design of TAP diverges from the Keppel recommendations in several major ways. First and most obvious, TAP only considers tuition costs--the Keppel group recommended including all costs of attendance in the award calculation. This tuition-only approach rests on the notion that a program that seeks to achieve a competitive equilibrium between the public and private sectors should deal solely with the principal difference in price, namely tuition. The amount of grant assistance available through TAP--measured as a percentage of total costs of attendance--also falls far short of the Keppel group's proposal.

Second, student eligibility for TAP differs from several other Keppel suggestions. TAP awards are not available to part-time students and only to a small percentage of all full-time proprietary school students. The Keppel task force urged that all, not just some, New York residents in postsecondary education should have a financial guarantee that extends to a broad range of the state's institutional options. Also, Keppel and colleagues suggested a separate student aid program for graduate students, which did not develop.

Finally, the Keppel group stongly recommended that the state awards take into account the newly established federal Basic Grants that some students would receive. They went so far as to suggest that the state maximum award be raised to the $3,000-$4,000 range, with a student's Basic Grant check sent directly to the state. Thus far, however, New York's effort to coordinate TAP with the Basic Educational Opportunity Grant (BEOG) has been minimal. The TAP legislation and subsequent regulations only require that a student's TAP award, in combination with other forms of grant assistance, cannot exceed the total cost of attendance. However, for almost all students receiving both a TAP and BEOG award, this require-

2. This was recently changed to $2,750.

ment has no impact. To date at least, the maximum TAP and BEOG awards, taken together, fall short of total costs for students in both the public and private sectors.[3]

Expenditures for TAP mushroomed in its early years but began to level off during the last two academic years.

Several reasons account for the rapid growth of TAP in the early years. First, the new higher TAP award formula was phased in one class at a time

Table 1. Grants and Scholarships in New York State

	1973-74	1974-75	1975-76	1976-77	1977-78 (estimated)	1978-79 (projected)
Expenditures (in millions of dollars):						
TAP	$ 52	$ 79	$110	$185	$221	$244
Regents . . .	28	24	22	20	19	19
Other* . . .	3	3	3	3	3	3
Total	$ 83	$106	$135	$208	$243	$266
Number of Awards** (in thousands):						
TAP	221	236	265	365	355	360
Regents . . .	65	65	67	65	66	66

*These other awards include child-of-veteran awards, Cornell University scholarships, war veterans' awards, awards for children of those who died in the Attica riot, and several specialized graduate scholarships and fellowships. Though not included in these expenditure figures, New York also waives tuition costs (net of TAP award received) for a limited number of students in the state university system.
**Students who receive both TAP and Regents awards are included in both categories.

3. In the public sector, the combined TAP/BEOG award will rarely exceed $2,300: $1,000 in TAP (the maximum public sector tuition) and $1,300 in BEOG (as awards cannot exceed one-half the total costs of attendance). This $2,300 figure falls short of the total costs in this sector. For private sector students, the combined TAP/BEOG maximum of $3,400 ($1,800 in TAP and $1,600 in BEOG) is well below costs at private institutions, which generally exceed $5,000.

so that expenditures would rise each year as each new class of students became eligible for the higher award schedule. While the phase in was in progress, each new class raised expenditures by at least $20 million per year. By 1977-78, all classes of undergraduates were eligible for the higher award schedule. Second, when CUNY imposed tuition in the midst of the New York City financial crisis, tens of thousands of students immediately became TAP eligibles, adding approximately $50 million in 1976-77 to the TAP price tag. Finally, officials misestimated the number of emancipated students and the number of students in proprietary schools who would eventually be eligible for TAP, adding another $10 million to the original cost projections.

The decline in Regents award expenditures between 1973-74 and 1977-78 reflects the phase out of the $1,000 maximum award. By 1978-79, all Regents recipients got the $250 flat award; slightly more than 40 percent of these recipients went to private institutions. Present law authorizes almost 19,000 new awards per year to high school seniors. The four-year total of Regents awards (66,000 in 1977-78) is below full authorization because of attrition and leaves of absence.

The growth in TAP expenditures, although predictable, prompted concern among policymakers who were battling the effects of recession coupled with a severe state fiscal crisis. In early 1977, the Wessell group, an independent commission appointed by the governor, issued its report recommending several ways to curb TAP expenditures. Included were elimination of the $100 flat awards for students not qualifying under the need criteria, a more stringent award reduction schedule for emancipated students (whose income is currently regarded the same as family income), and a more explicit coordination of TAP with BEOG.

The Wessell group also called for some expansion of TAP. The commission recommended an $1,800 maximum grant to reestablish the original differential in public and private sector awards and to recognize continuing increases in college costs. The group also recommended that some of the cost savings gained from other recommendations be used for part-time students in TAP, thus broadening opportunities for New York residents.

State officials in the governor's office, the Regents, the Division of the Budget, Higher Education Services Corporation, and the legislative

branch all had ideas for revising TAP, mostly in ways that would reduce its cost. But in 1978, as New York's fiscal crisis eased and an election loomed, the governor and legislature both endorsed cost increases for TAP--raising (as the Wessell Commission and others suggested) the maximum award to $1,800, lifting the minimum award for undergraduates to $200, and reducing the rate at which awards are reduced as income rises. These modifications cost the state upward of $35 million in 1978-79.

Still, New York State's expenditures for student assistance could be much larger if TAP awards were available to a broader group of students whom other states consider eligible for grant aid. For example, 15 states currently make grants to part-time students (generally defined as half-time or more). If New York provided aid to its 300,000 part-time students, expenditures for TAP could under reasonable assumptions increase by as much as $75 million. In addition, every year over 150,000 New York residents attend institutions outside the state. If New York were like the handful of other states that provide at least partial portability of their grants to out-of-state institutions, it is easy to see how TAP expenditures could increase by $25 million or more. Finally, limiting TAP to tuition costs alone can be viewed as a constraint on spending, for if the TAP award formula took into account the other costs of attendance, program expenditures might increase.

During the first five years of TAP, the share of awards going to different types of students has shifted, in some ways dramatically, as shown in Table 2.

The increase in the proportion of grant dollars for the private sector, from 36 percent in 1973-74 to 47 percent in 1975-76, was due to the phase

Table 2. Distribution of TAP Dollars to Different Types of Students (in Percent)

Students	1973-74	1974-75	1975-76	1976-77	1977-78
Private sector	36	42	47	38	43
Proprietary school . . .	2	4	8	7	9
Graduate	13	9	7	4	3
Self-supporting	13	19	27	22	25

in of the $1,500 maximum award. The decline in 1976-77 to 38 percent can be traced primarily to the instant TAP eligibility of CUNY students beginning in that year. Shifts in the distribution of TAP awards also occur because of the design of the program itself. With no change in the maximum award, private sector awards stay fixed, whereas each increase in public sector tuitions (which are below the TAP maximum) results in a hike in TAP awards. This leads to an inevitable shift in the share of TAP aid away from the private sector. Conversely, in 1977-78, when the TAP maximum award rose to $1,800, the private sector share once again increased.

In 1977-78 students in proprietary schools received close to 10 percent of all TAP funds, up from 2 percent in 1973-74. Their share is largely determined by which proprietary institutions are deemed eligible for TAP and on the pricing policies at these institutions, which usually set tuition at levels high enough for TAP eligibles to receive the maximum $1,800 award. (Much of the audit effort in TAP has been aimed at selected proprietary schools.)

The share of TAP dollars for graduate students declined dramatically--from 13 percent in 1973-74 to 3 percent in 1977-78--not only because they were a smaller proportion of total enrollment, but also because graduate students continued to receive the old Scholar Incentive maximum of $600. Self-supporting students (who now receive one quarter of TAP dollars) have been a particularly troublesome group in TAP, both in terms of eligibility and the determination of their award levels.

New York among the states. During the 1960s few states provided need-based grants, and those that did reached only a small percentage of eligible students. So Regents and Scholar Incentive awards, from the first, represented a large share of the expenditures that all states devoted to need-based student aid.

Table 3 demonstrates New York's continuing commitment to student assistance and its sizeable share of all state grant activity, even as other states augmented their funding for student assistance. Replacement of Scholar Incentive with the more generous TAP insured that New York remained far and away the leader among states in spending for student grants. New York's hegemony in student aid sometimes distorts national data on

state grant programs. For example, of the $141 million increase in state grants between 1975-76 and 1976-77, one-third can reasonably be attributed to the imposition of tuition at CUNY and the resulting increase in TAP expenditures. In that one year New York's share of total state grant assistance went from one-quarter to nearly one-third, so Table 3 must be read with that fact in mind.

Clearly, as Table 3 indicates, overall state effort increased during the last five years. However, some states, unlike New York, stood relatively still in their funding of student grants. For example, Pennsylvania's state grant program, one of the largest, has been level for the past four years.

New York's financial leadership in student assistance cannot be attributed merely to the size of its student population. California, with several hundred thousand more students, spends 66 percent less on student aid. On a per capita basis New York ranks first in its student financial aid commitment; in 1976-77, the TAP expenditure per undergraduate full-time equivalent student was $339. Several characteristics of TAP account for New York's large expenditures on student grants. New York is one of few states that have a grant program with an open-ended entitlement. The state appro-

Table 3. State Expenditures for Need-Based State Grants

	1971-72	1973-74	1975-76	1976-77	1977-78	1978-79 (estimated)
New York as a percentage of all states . .	25	21	25	32	31	32
Total--all states (in millions of dollars) .	$269	$364	$510	$651	$737	$828

Source: Joseph Boyd, *10th Annual Survey of National Association of State Scholarship and Grant Programs.*

priates all funds necessary to cover awards for eligible applicants. Most other states have a fixed appropriation, so awards must fit the level of funding. The entitlement feature in New York, a fairly liberal needs test, and the guarantee of an award to all families with a net taxable income of $20,000 or less all combine to make a high percentage of New York's college population eligible for grants.

In addition to its long record of making grants to students, New York was a pioneer in providing loans. The federal government in fact used the New York student loan program, established in 1958, as a model for its own Guaranteed Student Loan program authorized in the Higher Education Act of 1965.

State Student Incentive Grant. In 1977-78, New York received approximately $6 million as its share of funds from the federal State Student Incentive Grant program (SSIG)--still another federal effort patterned on New York's long experience in student aid. SSIG is primarily intended to induce states to develop and expand need-based student aid programs. For New York and other states with large investments in student aid, SSIG serves as a categorical revenue sharing program that helps to offset a small percentage of state program costs. In the case of New York, the following facts make this point clear.

- SSIG provides approximately 2 percent of New York TAP expenditures. For more than a dozen states with relatively new state scholarship programs, the federal share from SSIG is 50 percent of total program expenditures.
- New York receives less than 10 percent of all SSIG funds, while its share of all state student grant programs is more than 30 percent.

Under these circumstances, it is not surprising to discover that SSIG hardly affects the TAP operation. New York provides awards on an entitlement basis, adds up the total funds needed to meet its commitments, and then uses the federal SSIG payment to offset state funds. New York rightly perceives little incentive from SSIG to augment its need-based program. Furthermore, if the federal government imposes regulations for receipt of SSIG funds that are contrary to present TAP procedures, it is likely that New York would forego its SSIG allocation rather than comply with such regulations. For example, an SSIG requirement that aid must be available to students attending

all accredited nonprofit institutions would be contrary to the present TAP prohibition against including religious institutions. Another sticky possibility would be a requirement in SSIG that states must make their grants available to residents attending out-of-state institutions. The potential costs of these provisions to New York, as well as the legal and constitutional considerations, would most probably lead the state to withdraw from SSIG.

The State-Federal Mix: Tuition Assistance Program (TAP) and Basic Grants (BEOG)

Approximately half the undergraduates who received a TAP award in the academic year 1977-78 also received a federal Basic Grant.[4] Yet few, if any, of these recipients found their TAP award altered in any way as a result of receiving BEOG.

This section discusses the reasons for this apparent lack of coordination between TAP and BEOG, examines what effects this has on grant assistance to New York students, and presents several alternative approaches New York and other states might wish to consider.

TAP and BEOG have grown together. When TAP became law in 1974, BEOG was in its first year of operation. Admittedly, Basic Grants started slowly. Congress appropriated only $122 million for the program's first year, 1973-74. Only full-time freshmen were eligible. The maximum award was less than $500, although the program authorized a $1,400 maximum; even so, not all funds were spent. Nevertheless, it was obvious that Basic Grants had the potential for becoming the principal federal student aid program, one that would eventually aid hundreds of thousands of New York's needy students.

Since its enactment, BEOG has grown 20-fold. In 1978-79 the program spent close to $2 billion. Nearly $200 million of this total flowed to students in New York institutions, some 60 percent to TAP recipients.[5] Even with this large infusion of federal money, New York spends more on grants to its residents than the federal government now provides to them through Basic Grants. In 1977-78, TAP and Regents expenditures for undergraduates exceeded $225 million.

TAP and BEOG share some important characteristics that differ from most other state programs. In both TAP and BEOG all eligible students who apply receive an award. Few other state programs and no other Title IV federal student grant program operate on such an entitlement basis. Like BEOG, TAP is designed to be the first source of aid available to students. TAP and

4. TAP recipients who do not receive a Basic Grant generally are students from families with income above the Basic Grant eligibility levels or families with substantial assets.
5. BEOG recipients who do not receive TAP are generally out-of-state residents, part-time students, or self-supporting students who do not qualify for TAP.

BEOG each have their own and quite different application forms and methods for determining award levels; most other states use the forms and standard procedures of the national need analysis services.

The simultaneous growth of TAP and BEOG and the similarities in their design and purposes prompt a natural concern about coordination of state and federal efforts. It is highly unlikely that Basic Grants--which is intended to be the first source of aid available to the student--will ever adjust its benefit schedule to reduce duplication with state awards. It is equally unlikely that the federal government, for reasons of comity, can or would be willing to mandate state practices in the awarding of state grants. Thus the major responsibility for coordination appears to fall to the states.

It seems unreasonable for New York, with all its financial worries, blithely to disregard an important source of funds in calculating the awards for its own student aid program. Why shouldn't New York, like so many other states, allow Basic Grants to supplant scarce state resources? The answer is not clear, but pride, sense of tradition, and real and perceived differences in the goals of TAP and BEOG all play some role in conditioning New York's response to Basic Grants.

Coordination can take one of several forms. It can focus on the integration of eligibility criteria, administrative procedures, or award formulas. New York's efforts to coordinate along each of these dimensions are now discussed.

Eligibility Criteria

A number of variables define a student's eligibility for aid, including family financial circumstances, dependent or independent status, full- or part-time enrollment, and institutional eligibility. States vary greatly in their rules for eligibility. Similarly, BEOG eligibility criteria are at odds with the eligibility rules of most states. As a result, one notion of coordination is to achieve a synchronized set of student and institutional eligibility rules, both among the states and between the states and the federal government.

For all their similarities, TAP and BEOG have varied greatly in defining eligible populations. Until very recently, BEOG focused on low- and moderate-income students; TAP stretches much further up the income scale. BEOG takes

into account the assets of the family; TAP does not. BEOG is available to part-time students and to students attending a wide range of nontraditional institutions; TAP is not. TAP, and not BEOG, provides assistance to graduate students. New York at this time shows no inclination to change its standards for TAP eligibility in order to conform with BEOG.

Originally, TAP used measures of emancipation similar to those in federal student aid programs--the student could not be claimed as a dependent for income tax purposes and could only receive limited financial support from parents. But the state soon discovered that this approach was expensive because the TAP award schedule was so generous for students considered to be self-supporting. In an effort to cut costs for TAP, New York responded with a more restrictive definition of emancipation, resulting in a separate and rather complicated form commonly called "the green monster." These developments, in the summer of 1976, led to a tremendous backlog of applications that could only be processed manually. This also resulted in a number of students qualifying as self-supporting for federal student aid purposes but not so in New York or vice versa. One wonders why New York simply did not make its self-supporting award schedule less generous while retaining a common definition for emancipation.

Administrative Focus

Practitioners of student financial aid usually focus on coordinating the administration of programs. They are concerned with such matters as common application forms, common data elements, uniform tests of need, and processing of applications. Lack of administrative smoothness is a recurring problem in student aid, and many consider the coordination of procedures by the federal and state government as a necessary step for reducing complexities and delays for students. Also, with coordinated administrative procedures, they believe that other types of coordination might ensue.

In the first few years of TAP, the Higher Education Services Corporation (HESC) was beset by administrative problems such as inaccessibility to computer facilities and hastily mandated requirements like the "green monster" form for emancipated students. These difficulties often delayed the processing of applications for a period of several months at the beginning of each academic year for thousands of students. Wide press coverage of these admin-

istrative problems left HESC with a black eye that still persists despite recent, marked improvements in the delivery of awards.

In shifting responsibility for student aid to the Services Corporation, the governor and legislature sought to simplify the application process, especially to cut down on the number of application forms. Now that its administrative nightmare has receded, the Services Corporation seems anxious to decentralize the BEOG application process, so that students can apply for both TAP and BEOG through the TAP application form. In the words of a corporation spokesman, "Allowing full decentralization of BEOG application processing as opposed to decentralized data capture (Multiple Data Entry) would allow explicit coordination of TAP and BEOG in New York." But little progress toward this objective has been made because of the reluctance of federal officials to relinquish full control over the BEOG application process.

It appears certain that administrative issues will continue to dominate discussions of student aid as practitioners[6] attempt to get a handle on the growing amount of money devoted to student aid at the federal and state levels. What is generally ignored in these discussions, however, is the issue of why New York, unlike other states with large student aid commitments, does not take into account the size of a student's Basic Grant in calculating the TAP award.

Award Adjustment

Under TAP legislation and subsequent regulations, the TAP award is to be reduced only if the combination of BEOG and TAP would exceed all costs of attendance. New York state officials are quick to point out, however, that the combination of TAP and BEOG rarely exceeds total costs. Therefore, in their view, there is no reason to reduce the TAP award to reflect the receipt of a Basic Grant. Although there is no explicit coordination between TAP and BOEG, the current design of each program combines to prevent students from receiving more than the costs of attendance through a combination of the two grant awards.

6. The financial aid officers in New York, an extremely active group, have also developed a plan to improve the application process for student aid in the state.

In some cases, however, where students receive grant assistance beyond TAP and BEOG (e.g., veterans, social security benefits), total grant aid may exceed costs. For example, it appears that several thousand New York veterans receive total grants in excess of their costs of attendance.[7] This leaves open the question of whether veterans' educational benefits should, in fact, be classified as grant assistance in calculating student need.

The real coordination in New York appears to occur on the campuses where financial aid officers consider how much TAP and BEOG assistance an applicant will receive in deciding whether a student needs campus-administered assistance: federally funded supplemental grants, scholarships from institutional resources, and self-help in the form of work-study or loans. As long as aid officers are careful to consider these other sources of aid, overawarding (defined as assistance exceeding costs) does not occur.

Since institutions are in effect coordinating BEOG and TAP through their own procedures for distributing other types of student aid, and BEOG and TAP combined do not exceed total costs, there would appear to be little reason for New York to adjust its TAP awards to accommodate BEOG.

But the current New York practice of delegating responsibility for coordination to the institutions can lead to two distinct problems: an "overawarding" of grants for low-income recipients and a double counting of family contributions for students further up the income scale.

Overawarding, a loosely used term, generally means that either a student is receiving aid in excess of costs or too large a proportion of costs in the form of grant assistance. Coordination at the institutional level should prevent all forms of aid from exceeding total costs, but it is helpless in preventing a combination of TAP, BEOG, and other entitlement grant assistance from exceeding a "reasonable" percentage of costs.

Joint TAP/BEOG recipients may find that a rather high percentage of their needs are filled through TAP and BEOG, yet institutional aid officers are unable to intercede. In public institutions, the percentage of costs met through a combination of BEOG/TAP can easily be 70-80 percent, as Table 4 demonstrates. Low-income students at private institutions can have more than 60 percent of their costs met through grants.

7. See Susan Nelson, *Community Colleges and their Share of Public Student Financial Assistance*. New York: College Entrance Examination Board, in press, especially Table 2.

A major drawback to changing current practices is that low-income TAP recipients would be the group most adversely affected, since they are the students who have the highest percentage of costs met through grant assistance. Yet, this is the very group of students that New York for so many decades has been trying to assist. In addition, these are students who, when they attend public institutions, find their Basic Grants reduced through the imposition of the current half-cost limitation on awards. Hence, as long as BEOG continues its half-cost provision, New York and other states may wish to avoid any coordination scheme that reduces state awards for those students affected by the BEOG half-cost limitation.

Lack of coordination of BEOG and TAP poses still another problem for students who receive less than the maximum award in each program. Such recipients discover that as their family income rises, their award in each program is reduced. Thus, they face a double deceleration of awards. This is analogous to the high cumulative marginal tax rates and work disincentive issue that is a large part of welfare reform debates. Graph 2 and Table 4 demonstate the effects of cumulative award reduction. For example, as family income rises from $10,000 to $15,000, the combined TAP/BEOG award in both the public and private sectors falls by $1,000, much more than the reduction called for in either program.

Graph 2

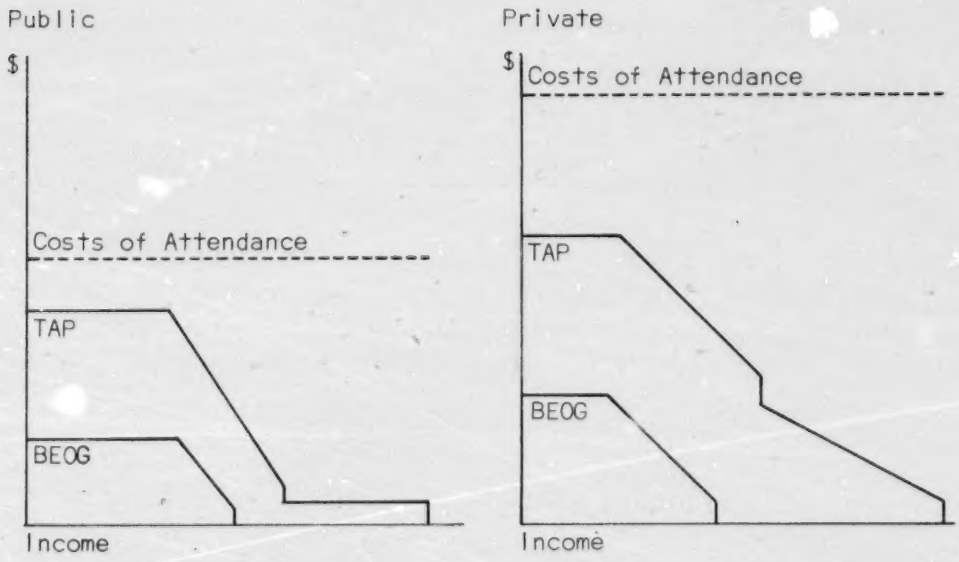


Table 4. TAP and BEOG Awards (by Gross Family Income)

	$5,000	$10,000	$15,000	$20,000	$25,000	$30,000
Public sector (tuition of $900, total costs of $3,000)						
TAP award	900	650	300	200	200	0
BEOG award*	1,200	900	250	0	0	0
TAP/BEOG	2,100	1,550	550	200	200	0
Percent of total costs . . .	73%	52%	18%	7%	7%	0%
Private sector (tuition of $3,000, total costs of $5,500)						
TAP award	1,800	1,550	1,200	700	200	0
BEOG award	1,600	900	250	0	0	0
TAP/BEOG	3,400	2,450	1,450	700	200	0
Percent of total costs . . .	62%	44%	26%	13%	4%	0%

*For purposes of BEOG award calculations, nontuition costs are set at $1,500 in the program regulations.

The scope of Basic Grants is changing. In 1979-80, the Basic Grant maximum amount rose to its full authorization of $1,800. 1979-80 also saw a change in the family contribution expectation with the result that students with family incomes of $25,000 will find themselves eligible for a BEOG, up from the $15,000[8] limit that now applies. With these changes, TAP and BEOG will become quite similar in the populations they serve and in the size of awards they provide.

New York's response to these changes in the Basic Grant program will be interesting to watch. Will it continue to focus coordination at the institu-

8. Eligibility for Basic Grants depends on many financial and demographic characteristics of the family other than income, including family size, number of children in college, and assets of the family and student. The $25,000 figure refers to a family of average size with one child in college and an average amount of assets. Families in different circumstances will have a different income cutoff.

tional level or will New York decide to intercede by recognizing Basic Grants in calculating the TAP award? Or will New York extend TAP eligibility still further up the income scale?

Alternatives for Coordinating TAP with BEOG

States vary widely in the ways by which they determine the size of a student's award. Do they recognize only tuition or all costs of attendance? What is the maximum award? How are family financial circumstances considered? What percentage of a student's need is met through the state grant? States respond to these questions in different ways, and their answers determine how easily BEOG can be incorporated into state award procedures.

The type of state award procedure most conducive to coordination with BEOG is one that considers total costs of attendance, subtracts the family's contribution, and then fills some portion of the remaining need with a state grant. With such a procedure, a student's BEOG can be viewed as just one more resource available to the student, and the BEOG award can therefore be subtracted from need in determining the size of the state grant. The example below shows how such a procedure would work if a state decided to fill one-half of the need remaining after the family contribution and the student's BEOG are subtracted from the cost of attendance,[9] up to a maximum state award of $1,500.

Cost of attendance	$3,000	$4,000	$6,000	$6,000
Family contribution	-0-	1,000	1,000	2,000
BEOG	1,500	800	800	-0-
Need remaining after family contribution and BEOG	1,500	2,200	4,200	4,000
State award	750	1,100	1,500	1,500

When state award procedures differ from the model described above, they typically are less adaptable to coordination with BEOG. In the case of New York, the tuition-only feature of TAP raises the issue of what proportion of the Basic Grant can reasonably be attributed to tuition. Put another way,

9. This example assumes a BEOG maximum award of $1,800. It also simplifies reality by assuming that the family contribution calculation for BEOG and the state award are identical.

under the current TAP formula, adding a student's BEOG to the family contribution would essentially disqualify the entire population from TAP eligibility, since the combination of BEOG and family contribution would exceed the TAP maximum, which is the lesser of tuition or $1,800. On the other hand, if Basic Grants were transformed into a program aimed at meeting nontuition costs--as some have suggested--then there would be an easy coordination between tuition-only TAP and a nontuition BEOG.

In contemplating different ways in which TAP could be coordinated with BEOG, one must also remember the historical and political context of student aid in New York. When Basic Grants became law, New York had been in the student aid business for 60 years. The state was not inclined, therefore, to change its tried procedures to accommodate the new, untried federal program. This attitude persists despite the maturation of Basic Grants.

Unlike New York, most states do not have nearly as strong a commitment to their own state award procedures. Indeed, for the more than 20 states that started their programs after the enactment of BEOG, it seems only natural to design the state program to allow for a student's receipt of a Basic Grant. In addition, most states do have an award procedure that recognizes the total costs of attendance. In such states, the Basic Grant award can more readily be included as a resource for educational expenses along with the family contribution in calculating a student's need. New York, with its long and independent tradition in student aid combined with a student grant program that does not recognize all costs of attendance, is therefore in a unique position. No other state faces this combination of historical and structural obstacles to coordination with Basic Grants.

It is possible, however, that further growth of Basic Grants and the continuing need to economize at the state level will force New York to revise its current attitude toward coordination. If New York were willing to overlook its historical role and decide to coordinate its program with BEOG, what alternatives does it have for adjusting TAP awards? Four are suggested below. Each alternative can be assessed on how well it addresses the two previously discussed problems of noncoordination: (1) too high a percentage of grant assistance relative to costs and (2) the double deceleration of awards.

1. Status quo. Under the current design of BEOG and TAP, awards are

implicitly coordinated. Financial aid officers can then make sure that total aid stays within total costs. But a high percentage of costs continue to be provided in the form of grants to some lower-income students, and middle-income students remain doubly penalized as family income rises.

2. *Flat awards.* TAP could be transformed into a flat award so that awards did not vary with family income (although they could still vary with the amount of tuition charged). Massachusetts currently has such a program whereby needy students receive $300 for attending a public institution and $900 at a private institution.

A flat award procedure corrects the double deceleration problem since only Basic Grants, and not state awards, would be reduced as family contribution increases. The overawarding concern could be addressed by setting the flat award below current maximums, for example, $1,400 at a private institution and $700 in the public sector. Such a reduction would also help to keep program expenditures in line with current levels. With the flat awards suggested above, low-income students would have their combined awards reduced by several hundred dollars from current amounts. Awards for most middle-income students would rise, since family contribution would no longer be subtracted from the TAP maximum award.

3. *Limit on grants as percentage of costs.* Present New York regulations, which permit the combination of TAP and BEOG to equal 100 per cent of costs, could be changed so that a TAP/BEOG could not exceed a smaller percentage of costs. For example, TAP/BEOG could be limited to 70 percent of costs with the remaining 30 percent to be filled by parental contributions, other grant aid, or student self-help. This alternative is clearly aimed at the overaward issue, and its principal effect would be to lower the combined grant levels for the neediest students. It would not resolve the double counting of family contribution in the calculation of awards for moderate-income students.

4. *Total need.* TAP could be transformed into a program that fills a portion of a student's need after family contribution and BEOG have been subtracted from total costs. For purists who worry that TAP is for tuition only, the new award could never exceed tuition. The example on page 24 is illustrative of how such a program might work (although, in that example, no tuition-related limit is assumed).

This type of approach would correct both of the problems of noncoordi-

nation. First, it explicitly limits the portion of costs met by grants and thereby addresses the problem of overawarding. Second, family contribution is counted only once in the calculation of a combined BEOG/TAP award.

Which students benefit or lose from such a change depends on what percentage of remaining need is covered by the TAP award. As a general rule, the higher the percentage of need that is covered, the better low-income students do relative to current practice. Thus, if TAP covered 90 percent of the need remaining after family contribution, low-income students as well as students in private institutions would most probably see their awards rise. The shifts in terms of winners and losers would also depend on the level of the maximum award. Of course, the higher the percentage of need covered and the higher the maximum award, the greater the program costs will be.

The alternatives discussed above assume that the Basic Grants program will continue in its present form: assistance for total costs of attendance with a limitation on payment equaling one-half of costs. If the Basic Grants design were altered, however, to a program for noninstructional costs with no half-cost limitation, then the issue of coordination in New York might be resolved. TAP would continue to help students meet tuition charges, while BEOG would be the principal source of assistance for all other costs. Of course, with such a change in Basic Grants, other states might be forced to reconsider the ways in which they coordinate with BEOG.

State and Federal Grant Policies in the Future

The grant assistance that New York provides to its students is only one small piece in the state's intricate mosaic of higher education. Here is a state that within the past three decades has created a vast state university system with relatively high tuitions at these institutions. It is a state that contains a city university unmatched anywhere in size and scope of offerings. And these public institutions have grown in the midst of one of the most extensive and historic private sectors of higher education to be found in any state.

The concurrent growth in the size and diversity of higher education in New York, along with the financial commitment to student aid, is a story of leadership and politics too involved to recount here. Key forces include a governing body of the public universities that many observers contend is wedded to the private sector, strong governors intent on leaving their mark on higher education, and a tradition of providing the citizenry with high quality education whatever the costs.

Leaving politics and tradition aside, the availability and growth of student aid in New York have played an important role in all its major developments in higher education over the past few decades--in the level of tuition and in the ability of students to attend. The most obvious example of the role of student aid in recent years was the imposition of tuition at CUNY in 1975-76. It is difficult to imagine what might have happened if evidence had not been available showing that poor or almost poor students at CUNY would receive enough additional funds through TAP and BEOG to offset most if not all of the new tuition charges. Similarly, the state university system and other community colleges are able to charge relatively higher tuitions (and to continue to increase such charges over time) in large part because TAP awards increase along with tuitions at these institutions. Private sector tuitions are less directly affected by TAP availability because the stated prices in these institutions generally exceed the TAP minimum award. But the larger maximum awards brought about by the shift to TAP from Scholar Incentive no doubt helped to arrest the previous large migrations to the public sector.

In many respects, New York is one of the few states whose patterns of tuition and student aid reflect the recommendations of the Carnegie Com-

mission and the Committee for Economic Development a few years ago.[10] Tuition in the public sector in New York has increased to relatively high levels in order to maintain a healthy and reasonable competition between the public and private sectors, and the student aid program is designed to offset the effects of those tuition increases for students of modest means.

There can also be little doubt that grant assistance in New York is helping a great many students finance their undergraduate college education. TAP awards reach over 60 percent of undergraduate New York residents attending institutions within the state, and Regents winners account for another 15 percent. This means that over three quarters of this population is receiving at least $200 in state grant assistance. About half the recipients are receiving TAP awards in excess of $500. This would suggest that New York goes a long way toward helping its students gain access to some form of postsecondary education. BEOG, of course, adds another dimension to access.

As for choice among different types of institutions, a student from a family of moderate income can expect to receive at least $700 more in TAP when attending a high-priced institution. The same student will also receive a Basic Grant, which generally will be between $500 and $800 higher at a private sector institution than at a public university or community college. A student from a family that can make no financial contribution thus can receive up to $1,500 more in BEOG/TAP awards at Cornell than on a state university campus. This suggests that the design of both TAP and BEOG helps to narrow the difference in cost between the public and private sectors for students with financial need.

But many changes are in store for New York. Both the maximum award and income eligibility range under BEOG will be expanding. New York has also recently authorized tax credit and tax deferral plans of its own--another example of the state's role as innovator. These changes certainly will have an impact on New York students, and TAP's role or scope may have to change.

Interestingly, thus far, New York seems intent on matching if not exceeding the federal commitment to student aid, while resisting further

10. Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* New York: McGraw-Hill Book Company, 1973; Committee for Economic Development, *The Management and Financing of Colleges.* New York: Committee for Economic Development, 1973.

coordination with Basic Grants. For example, it appears that the next major expansion of TAP will be to extend the income limit for a guaranteed minimum award, from $20,000 to perhaps $25,000 in net taxable income. In addition, prospects are moderately good for the expansion of TAP to cover students attending institutions on less than a full-time basis. The concerns that these two changes seek to address are also being expressed at the federal level: expansion of student aid for middle-income students and more aid for students who do not attend full time.

Thus, New York and the federal government appear to be very much in step in providing sufficient grant assistance. The question remains whether New York needs or can afford to be so independent about coordinating the TAP award with the amount a student may receive through BEOG. Most other states have recognized the fiscal logic in letting BEOG carry part of the student aid load before the state puts in its share.

Unlike many other states, it would not be a simple matter for New York to incorporate a student's BEOG award in calculating the state award for several reasons. First, the TAP award procedure, as currently designed, covers only the cost of tuition and does not allow for a straightforward insertion of the BEOG amount. Second, the use of special New York income data in calculating the TAP award may well prevent students from applying for both awards through the same application form. Finally, any change from the current procedure would probably result in a reduction of the combined TAP/BEOG award for the lowest-income students, since they are the students whose awards cover the largest percentage of costs. Those who advocate equality of opportunity will be hard pressed to support any change that reduces funds for the most needy students.